



GOVERNOR'S OFFICE OF
MINORITY AFFAIRS

VLT Facilities MBE Compliance Status Report

Prepared by the Governor's Office of Minority Affairs

Submitted to the Maryland Lottery Commission

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Background

Statutory Requirement:

Pursuant to the Video Lottery Terminal (“VLT”) Law passed during the 2008 legislative session, the Governor’s Office of Minority Affairs (GOMA) is required to monitor each VLT Licensee’s compliance with the Minority Business Enterprise (MBE) requirements. Monitoring is required specifically as it relates to: a) construction to the physical VLT facility, and b) any other procurement related to the development, design, management and operation of the VLT facility.

The VLT law is found in State Government Title 9 and subtitle 1A, Annotated Code of Maryland.

Section 9-1A-10 outlines:

- MBE requirements for all VLT licensees
- Scope and timeline for GOMA’s involvement in monitoring Licensees’ compliance with MBE requirements

Licensing Process

The Maryland State Lottery Agency issued a RFP on December 19, 2008 for the purpose of approving up to five (5) Video Lottery Operation Licenses to operate gaming facilities at various authorized locations within the State of Maryland. To date, three licenses have been issued and associated facility locations were approved by the VLT Location Commission. The approved licenses/sites are as follows:

Penn Cecil Maryland Inc. (Penn)
Cecil County

Ocean Enterprises 589 LLC (Ocean)
Worcester County

PPE Casino Resorts Maryland (PPE)
Anne Arundel County

Two VLT sites, Hollywood Casino and Ocean Downs have completed construction and have had their grand openings on September 30, 2010 and January 4, 2011 respectively. The Cecil County and Worcester County licensees each had an overall MBE goal of 25% and sub goals of 10% Women and 10% African American.

The third VLT site located in Anne Arundel County is scheduled to begin construction in January, 2011 and has an overall MBE goal of 35% and sub goals of 10% Women and 10% African American.

All of the licensees have committed to making a good faith effort to achieve the overall MBE goal and women/african american sub-goals in accordance with their agreement with the State.

Penn National – Hollywood Casino

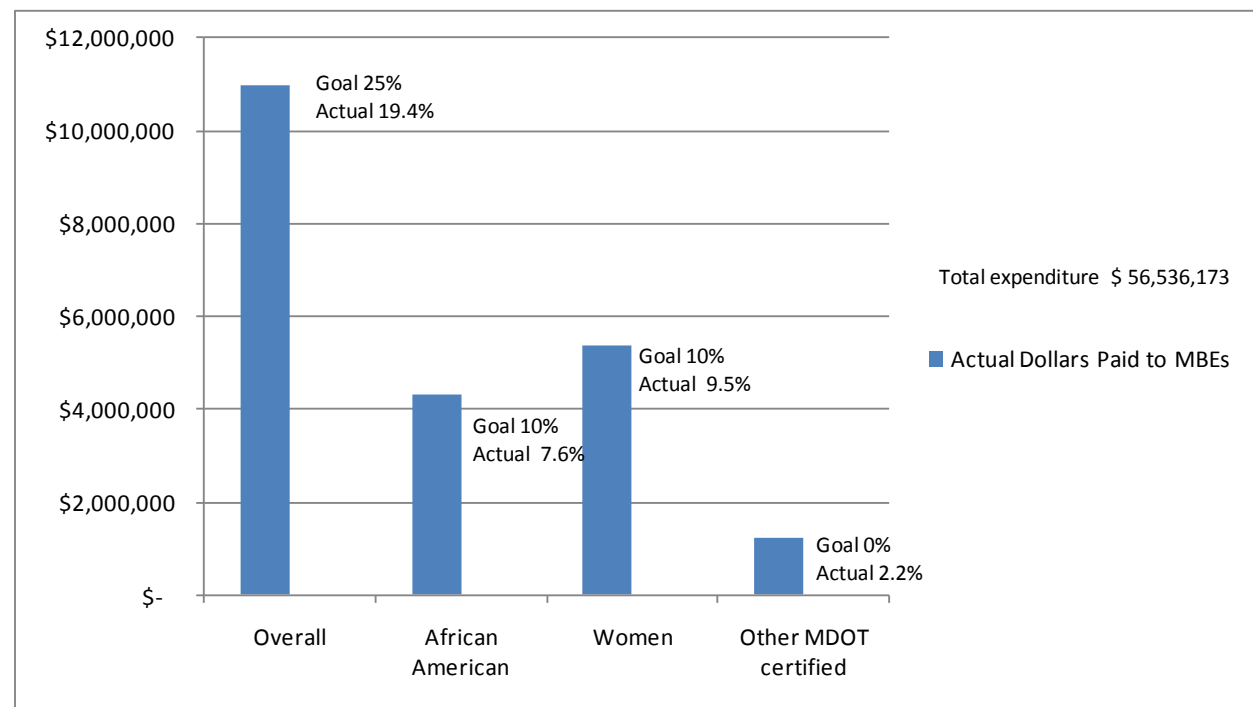
Progress Update

At the time of the July 15, 2010 report, construction was still in progress and the operations contracting activity was approximately 50% complete. Four (4) MBE compliance on-site inspections were conducted during the construction and operations phase of the project.

On September 30, 2010, the Penn Cecil Maryland facility had its grand opening. The actual MBE-applicable expenditures associated with the project's design, development, construction and operations were \$56,536,173. Final MBE achievement for Penn through December 31, 2010 is summarized in the charts below:

MBE Goal Achievement

Minority Classification	Target Goal %	Actual Dollars Paid to MBE's	Final MBE Goal Achievement
Overall	25%	\$10,943,755	19.35%
African American	10%	\$ 4,300,702	7.6%
Women	10%	\$ 5,390,263	9.5%
Other MDOT certified	0%	\$ 1,252,790	2.2%



Summary of Overall Effort and Final Achievement

- 1) Penn's supplier diversity vendor fair held on June 23, 2010 directly resulted in four (4) MBE firms receiving contracts.
- 2) There were no complaints received from MBEs who worked on the project regarding late payment, underutilization or unfair treatment.
- 3) GOMA has received all requested documentation on outreach, contract awards, and payment activity.
- 4) There are several factors that can be attributed to Penn's failure to achieve the MBE goals established for the project. Implementation of a more timely, comprehensive strategy for MBE outreach at the start of the project, combined with a more effective oversight/accountability process to ensure maximum MBE utilization by 1st, 2nd and 3rd tier construction trade contractors, would likely have resulted in greater overall MBE achievement.

Penn was advised early on that the size and scope of this project, as it relates to MBE goal achievement, demanded a high level of coordination and communication across all functional areas from beginning to end. Penn senior management officials provided assurances that maximum MBE utilization was a priority and that all potential opportunities for MBEs would be leveraged throughout the project. However, based on GOMA's interaction with and observations of Penn/construction manager/operations staff during the project, we believe that Penn failed to allocate sufficient resources to focus on the MBE deliverable until the project was more than 50% complete and the MBE cure notice had been issued.

Pursuant to the VLT Law regarding GOMA's monitoring of licensees MBE activity, this report represents the final report from GOMA with regard to Penn Cecil Maryland, Inc.'s MBE activity.

Ocean Enterprise 589 LLC – Ocean Downs Casino

Progress Update

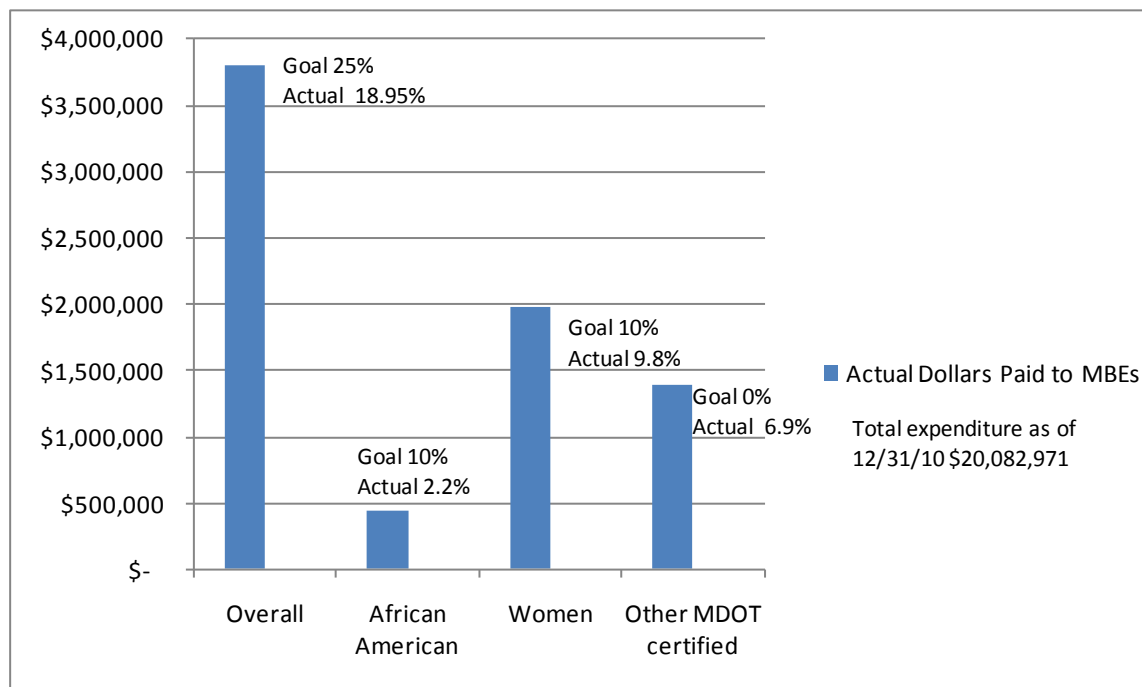
Since the July 15, 2010 report, Ocean has completed all phases of initial development and has opened their facility. Six (6) MBE compliance on-site inspections were conducted by GOMA/consultant staff during the construction and operations phase of the project

Ocean's construction manager, Royal Plus, issued three (3) separate construction bid packages. One of the packages was specifically for asbestos remediation. The other two contained bid requests for multiple trades. According to information received from Ocean, a total of thirty one (31) bids were received. Eleven (11) construction-related contracts were awarded to MBE firms. There were a total of five (5) contracts awarded to MBE firms in connection with operations-related (furniture, fixtures and equipment) purchasing.

The total actual MBE-applicable expenditures associated with the project's design, development, construction and operations were \$20,082,971 through December. The MBE achievement data below does not represent Ocean's final MBE achievement, as additional expenditures/payments will be collected and tallied through February, 2011.

MBE Goal Achievement as of 12/31/10

Minority Classification	Target Goal %	Actual MBE Payments	Final MBE Goal Achieved
Overall	25%	\$3,805,909	18.95%
African American	10%	\$ 439,503	2.2%
Women	10%	\$1,974,382	9.8%
Other MDOT certified	0%	\$1,392,023	6.9%



Summary of Overall Effort

- 1) Early in the project, a Royal Plus employee was assigned responsibility for managing the MBE deliverable, including MBE and outreach activity, on behalf of Ocean. To date, the assigned person has served as the liaison between the State and Ocean regarding the MBE reporting deliverables. Ocean has missed virtually all MBE reporting deadlines and it has generally been difficult for GOMA to obtain information/data on a timely basis.

- 2) There was a fairly consistent, broad based MBE outreach effort put forth and documented by Ocean throughout the project. Efforts included participation in multiple MBE outreach events and significant direct phone/e-mail outreach to MBEs located within a large geographical radius of the Worcester county work site.
- 3) There is evidence that MBEs were aggressively solicited and encouraged to bid directly as prime trade contractors; a significant amount of the MBE participation achieved so far has been through direct contracting. Ten (10) out of fourteen (14) MBEs working under the project have direct contracts with Ocean Enterprises 589 LLC.
- 4) GOMA has received at least one (1) complaint from an MBE regarding late payment of invoices by Ocean and one of Ocean's primary trade contractors.
- 5) Use of an Asian-American certified MBE to complete much of the asbestos remediation work at the beginning of the project contributed significantly to Ocean's overall MBE achievement. It appears Ocean will not meet either the Women or African-American subgoals.
- 6) The next MBE status report due in July, 2011 will provide the final MBE data for the Ocean Downs facility.

The Cordish Company PPE

General Project Update

As a result of the November, 2010 referendum vote in Anne Arundel County, The Cordish Company, licensee and owner of Power Plant Entertainment, received final approval from the county to begin development at the Arundel Mills location.

On December 6, 2010, GOMA and Laisar staff met with Cordish representatives to review MBE requirements, MBE outreach strategies, and provide details regarding MBE reporting. At that time, Cordish indicated that decisions regarding the construction management function and responsibility for managing the MBE deliverable had not yet been finalized. Shortly after the 12/6 meeting, Laisar staff worked directly with Cordish staff on proper MDOT MBE database search procedures.

On January 5th, Cordish informed GOMA that award of the construction management function had been made to a joint venture (JV) consisting of an agreement between Commercial Interiors, Inc. (Hanover, MD) and TN Ward (Ardmore, PA). Commercial Interiors is a Maryland-based certified MBE firm. GOMA has not yet been notified who will be responsible for management of the MBE deliverable as the project now moves forward.

GOMA met for the first time with the new JV construction manager on January 13, 2011 to answer questions and to identify PPE's contact person(s) for MBE reporting and compliance. The MBE contact person has not yet been selected by PPE.

Summary

Based on the size and scope of the proposed building infrastructure and the proximity of certified MBEs to the Anne Arundel County work site it is anticipated that PPE will be able to meet or exceed the MBE goals and subgoals established for this VLT location.

Cordish began its community-based MBE outreach during the summer and fall of 2009. Despite the delayed start-up, it is expected that Cordish will continue to aggressively solicit MBEs to participate in the design, development, construction and operations phases of the project.

Baltimore City & Allegany County VLT Sites

Project Update

The Request for Proposals (RFP) issued by the Lottery Agency in July, 2010 for the Allegany County Rocky Gap location resulted in no bids received. The Lottery Agency has indicated that it intends to re-issue the RFP sometime in February, 2011 for both the Rocky Gap and Baltimore City locations.